

Status of Resolution of Reported Frauds

December 2002

Agency: 195

Liquor Control Board

| Audit Number | Finding Number |
|-------------------------|---------------------------|
|-------------------------|---------------------------|

| | | |
|------|---|--|
| 6324 | 1 | <p>Finding: A freight vendor over-billed the Washington State Liquor Control Board and received unauthorized payments for services.</p> <p>Fraud Amount: \$771,864</p> <p>Recovery to Date: \$ 0</p> <p>Action/Status: The Liquor Control Board (LCB) concurs with this finding and has taken the following corrective action:</p> <ul style="list-style-type: none"> Reviewed all LCB freight carrier payments. It was found that this case of fraud was an isolated incident. Internal controls were compromised by an LCB employee who allowed the freight carrier to use billing procedures not used by any other Board freight carrier, Implemented new procedures and accounting controls that will safeguard public money and increase the agency's ability to detect fraud, Received fraud training from the Auditor's Office, Internal Controls training from the Office of Financial Management, as well as ethics training, and Conducted a comprehensive management review of all agency internal controls and management practices. |
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Criminal action taken: The Board has coordinated a criminal investigation with the Thurston County Prosecutor and the State Patrol. The Attorney General's Office was contacted and has been requested to prepare a civil RICO case to recover all assets.

Personnel action taken: The LCB employee was terminated for neglect of duty, gross misconduct and willful violation of agency rules and procedures.

Amount to be recovered:

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|---------------------------|---------------|
| Net Freight Overpayments | \$771,864 |
| Audit/Investigation Costs | <u>32,556</u> |
| | \$804,420 |

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